

Threshold versus Capped Framing: An Equity Theory of Promotions

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ABSTRACT

We examined the effects of two common types of restricted promotion framings on consumers' purchase intention. Results from six pre-registered studies showed that consumers were more likely to make a purchase with a threshold promotion than with a comparable capped promotion when the threshold was low, even though the threshold promotion is equivalent to or dominated by the capped promotion. We further showed that it was because consumers used the restrictions as references and perceived the threshold promotion as higher than expectations and fairer than the capped promotion. However, when the threshold was high, the purchase intention between the two restricted promotions reversed because consumers perceived the threshold promotion as lower than expectations and less fair than the capped promotion.

STUDY 1: PRICE PROMOTIONS IN RIDE HAILING

- Participants (N = 403) were asked to decide whether to hail a taxi to go home from work.
- 2 (Promotion Type) X 2 (Spending Information)

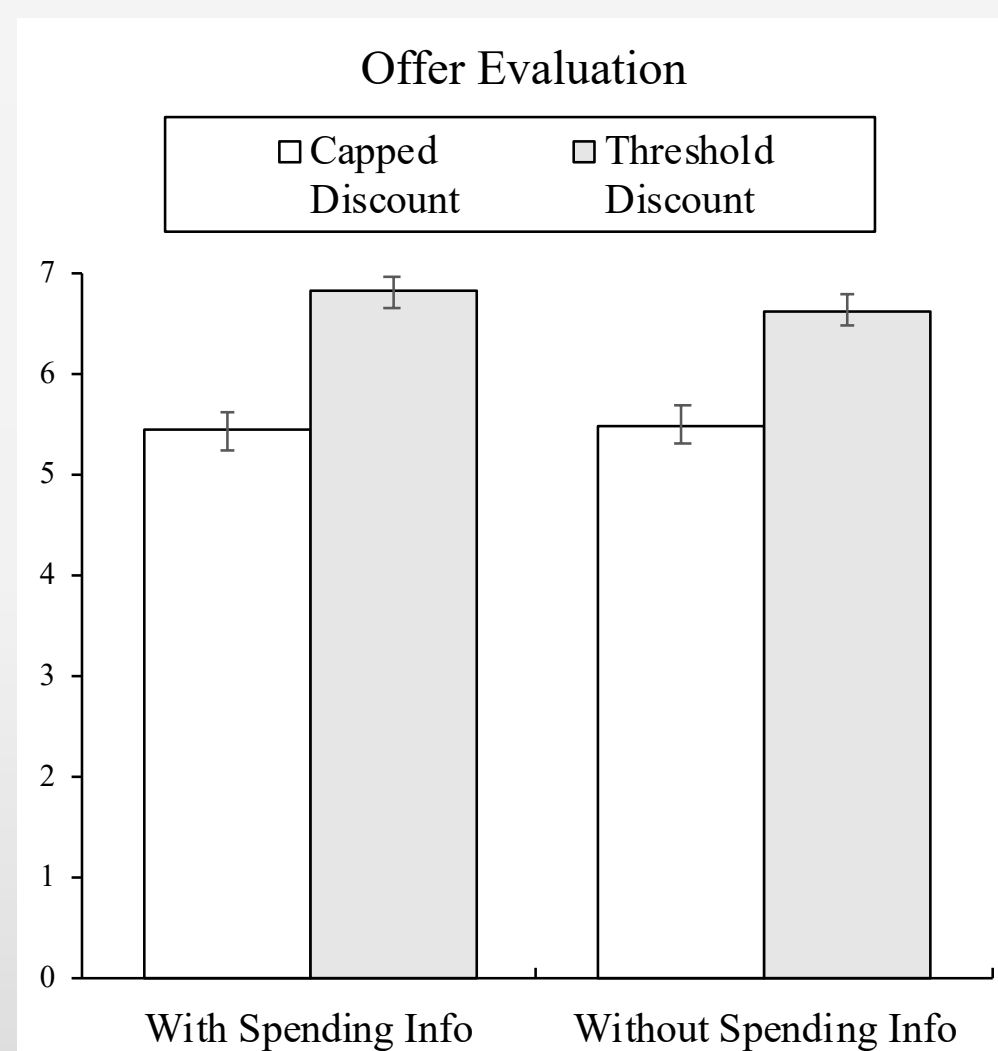
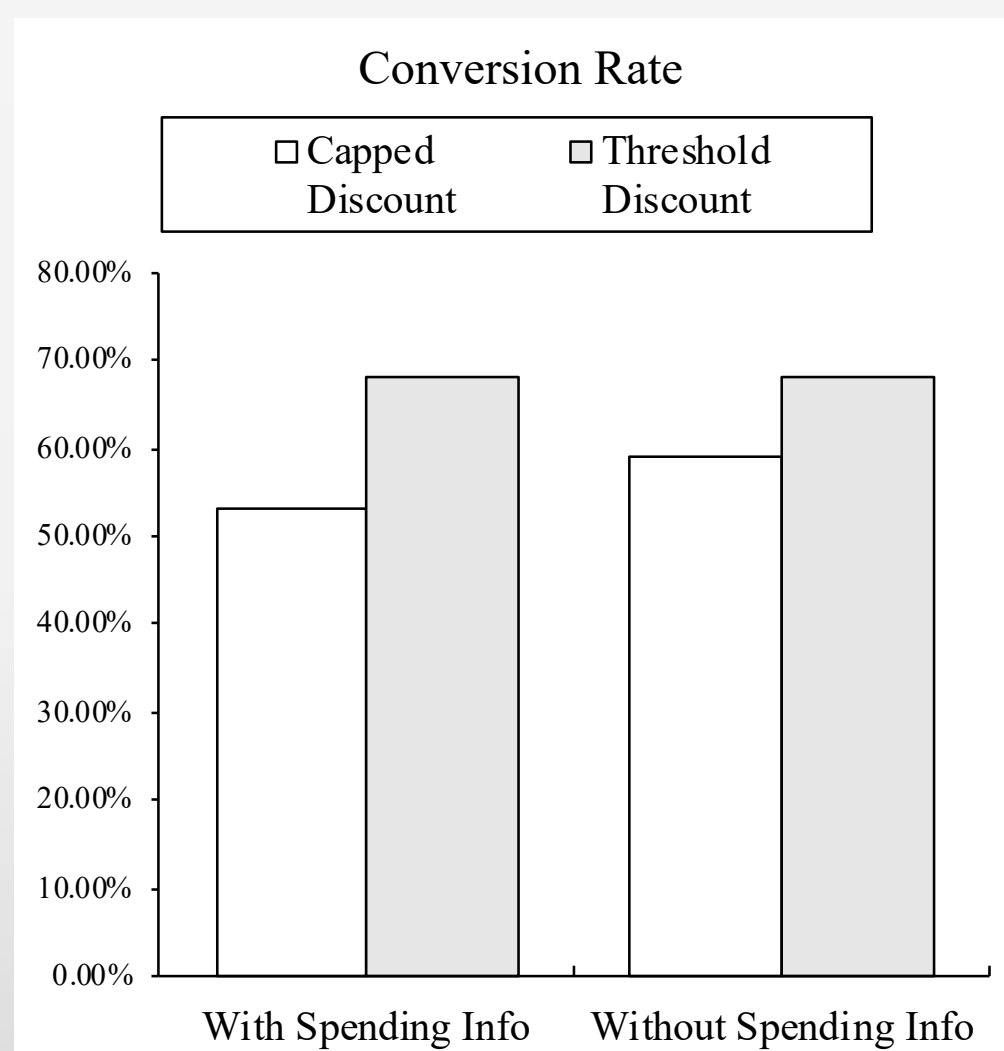
Enjoy 50% off a ride
\$5 max discount per ride

Capped promotions

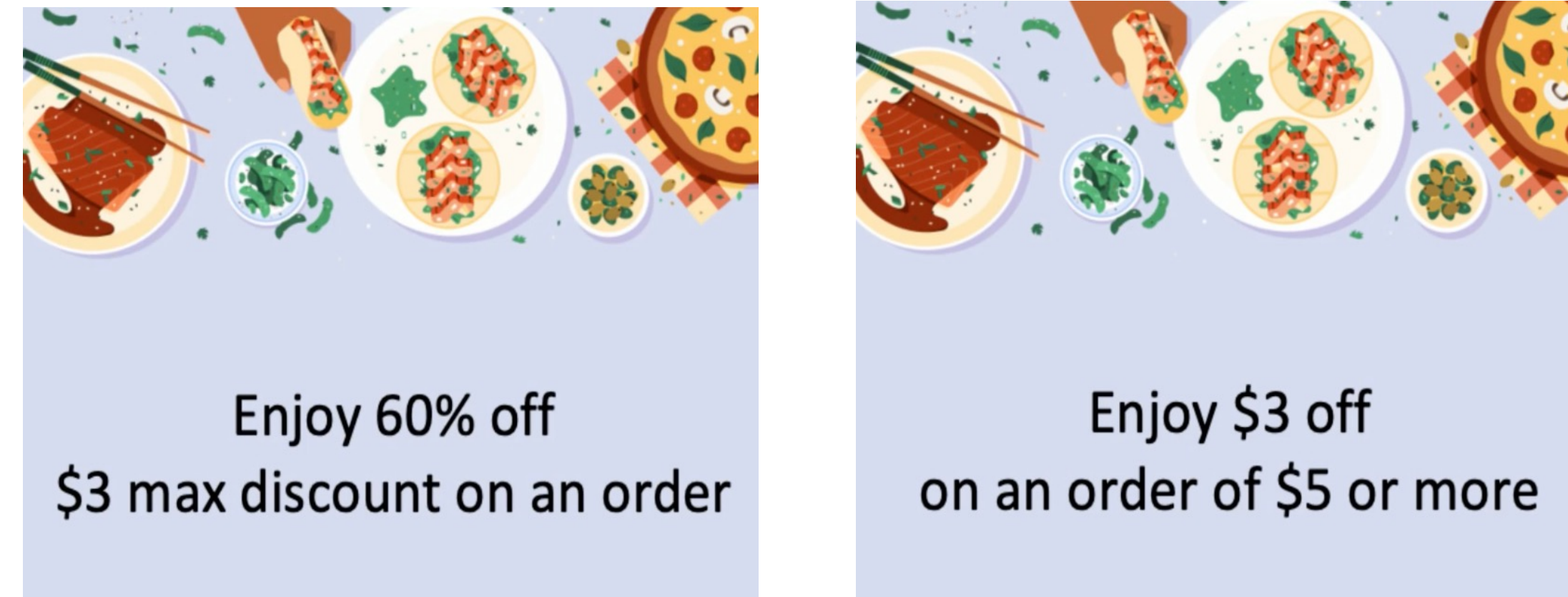
Enjoy \$5 off a ride
On a ride of \$10 or more

Threshold promotions

- Half of the participants were told "If you hail a ride, you will spend \$20 on average" and half were not.



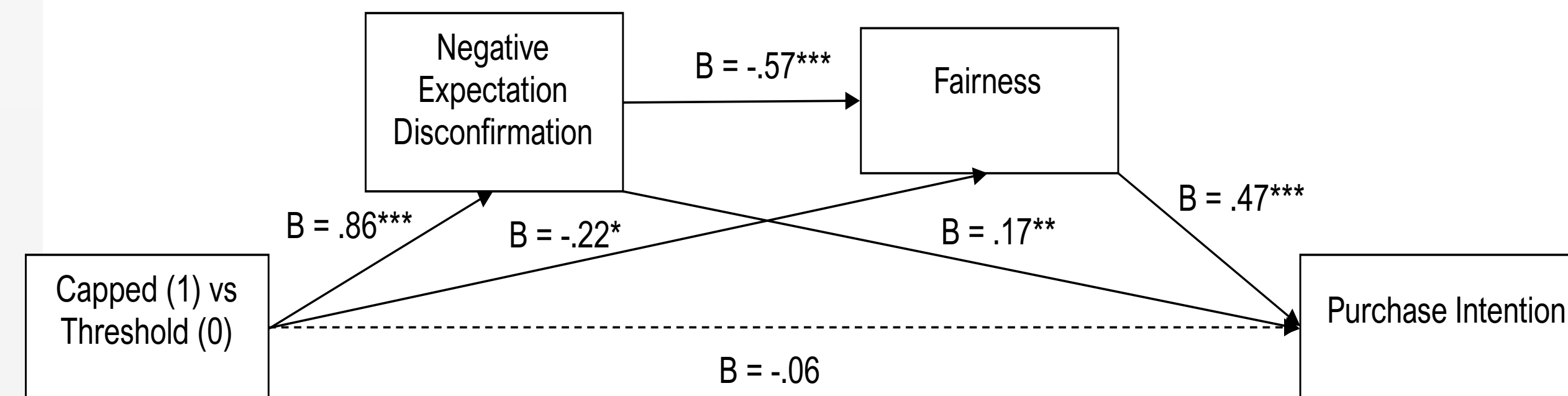
STUDY 2: FOOD ORDERING FIELD STUDY



Capped promotion (n=65,548, 1.25%) Threshold promotion (n=61,895, 1.38%*)

STUDY 3: CHARITY PROMOTIONS IN GROCERY SHOPPING (N = 403)

- Threshold: "We donate \$5 per purchase (if you purchase \$10 or more) on the app to support Organic Farming Research Foundation."
- Capped: "We donate 50% of your purchase price (up to \$5 per purchase) on the app to support Organic Farming Research Foundation"

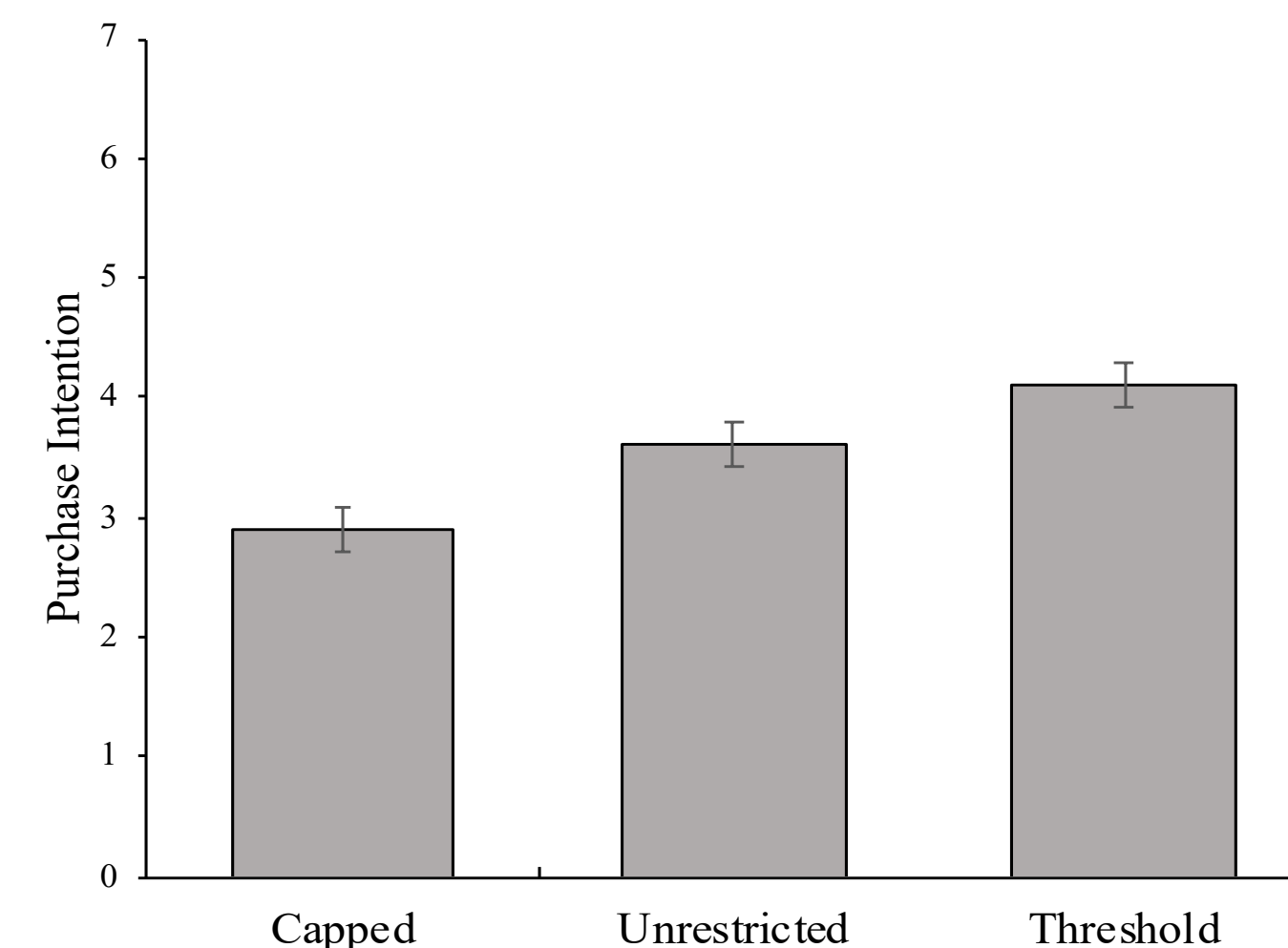


STUDY 4: UNRESTRICTED PROMOTION AS A REFERENCE (N = 600)

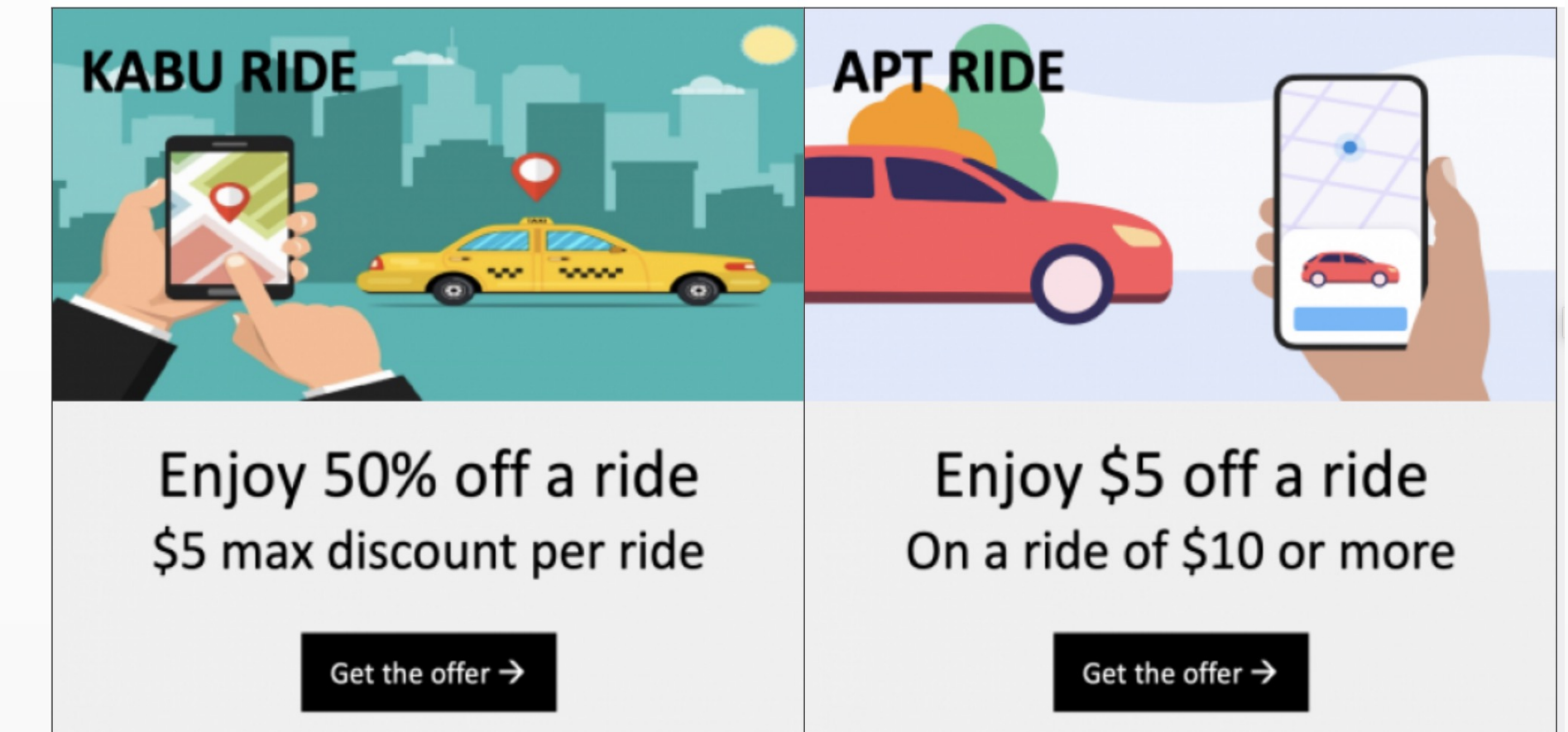
Capped: "Enjoy 60% off. \$3 max discount on an order"

Threshold: "Enjoy \$3 off on an order of \$5 or more"

Unrestricted: "Enjoy \$3 off"



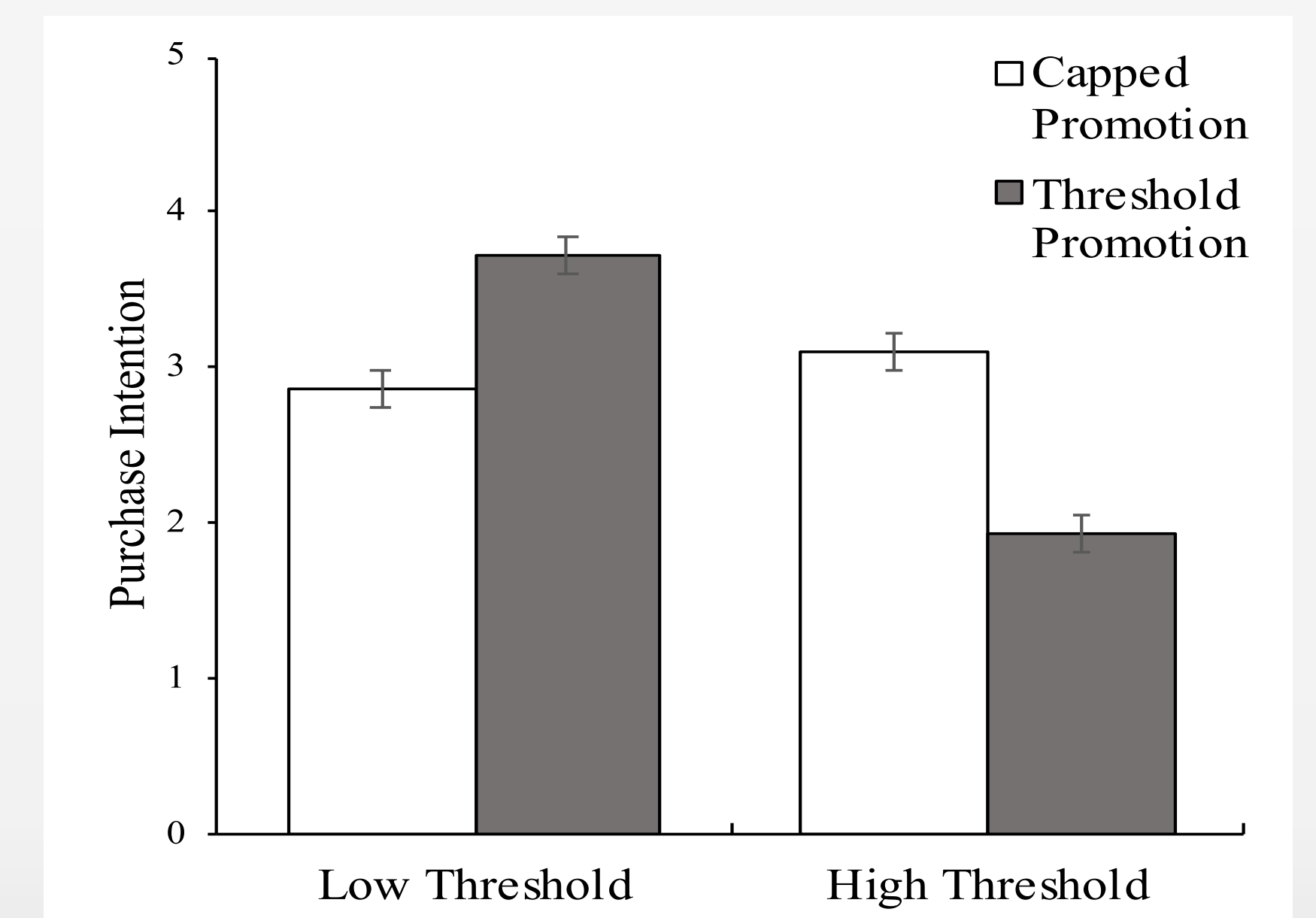
STUDY 5: JOINT EVALUATION (N = 200)



Capped promotion (38.5%) Threshold promotion (61.5%**)

STUDY 6: THRESHOLD AMOUNT AS A MODERATOR (N=398)

- Low Threshold
 - "Enjoy \$5 off (On an order of \$10 or more)"
 - "Enjoy 50% off (\$5 max discount on an order)"
- High Threshold
 - "Enjoy \$5 off (On an order of \$50 or more)"
 - "Enjoy 10% off (\$5 max discount on an order)"



References:

Gneezy, Ayelet (2005), "Attitudes and Promotions," in NA - Advances in Consumer Research Volume 32, ed. Geeta Menon and Akshay R. Rao, Duluth, MN: Association for Consumer Research, 485-86.
Inman, J. Jeffrey, Anil C. Peter, and Priya Raghurir (1997), "Framing the Deal: The Role of Restrictions in Accentuating Deal Value," Journal of Consumer Research, 24(1), 68-79.